

Thiagu's Blog Global Market Outlook- 18 Jan 21

Markets have stayed buoyant in recent weeks on hopes of fiscal stimulus and vaccine rollouts. However Friday's weak U.S. retail sales data served as a warning to markets that pandemic is damaging real economy while there has been a realisation that the vaccine roll out is not miracle cure as widely factored - double-dip recession is more likely to become a central theme .

Virus in focus : Pandemic out of control in US. Japan emergency. Germany might lockdown for ten more weeks. UK restrictions .China experiences a flare-up.

Markets gave stellar U.S. IP data less weight than the retail sales miss - retail and services, the sectors undermined by the pandemic, far outweigh mfg as GDP inputs.No top-tier U.S. data until jobless claims on Thursday.A break past 91.73 in USD index should see upside.

ECB meets on Thursday - non-event as there is nothing more ECB can do now Italian political uncertainty bigger factor- EUR/USD down to its lowest since Dec.10 and close to important support from 50 dma ,38.2% Fibo Nov-Jan move and Dec. 9 swing low at 1.2076/64/58. Break bearish to 50% at 1.1975 (1.1602 -1.2349)

China could withdraw stimulus as China's Q4 GDP beats forecast to rise 6.5% y/y.Dec industrial o/p beats forecast to rise 7.3% y/y.Retail sales, fixed asset invt miss estimates.USD/CNH to break 20dma 6.4898 for upside .

Friday's stronger-than-expected Nov UK GDP but more aggressive UK lockdowns in 2021 , tightening border and Brexit red tape will likely hit Q1 growth.Close below last week's 1.3533 low to undermine dip-buying bias.EUR/GBP opportunity, trading at the base of an 0.8860-0.9290 range in place since June.

BOJ also meets this week - no change in policy is expected. Japan data this week includes nationwide CPI, trade and flash mfg PMI. Fade from Thurs high stalled closer to 103.50.Today could be inside day -heavy off 55 dma 103.99. 103.72-93 to stay .

USDINR underpinned by higher USD; risk off, virus woes and more importantly the week end message .Exuberance of new year as expected dissipates by Mid Jan.

As 73.10 supports, test of 73.38 likely .

Another 73.10 -73.60 week ?